

CITY OF LANSING
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2008

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CITY OF LANSING

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2008)		
Michael Brennan	Mayor	Jan 2008
William Burke	Mayor Pro tem	Jan 2008
Edward Arnold	Council Member	Jan 2008
Richard Roeder	Council Member	Jan 2008
Donald Peters	Council Member	Jan 2008
Lisa Endres	Council Member	Resigned Jul 16, 2007
Joe Strobel	Council Member	
	(Appointed Aug 8, 2007 Elected Nov 6, 2007)	Jan 2008
Carolyn Kukes	Clerk	Indefinite
Dianna Moritz	Treasurer	Indefinite
Richard Zahasky	Attorney	Indefinite
(After December 2007)		
Michael Brennan	Mayor	Jan 2010
Donald Peters	Mayor Pro tem	Jan 2010
Jeffrey Bechtel	Council Member	Jan 2010
William Burke	Council Member	Jan 2010
David Darling	Council Member	Jan 2010
Joe Strobel	Council Member	Jan 2010
Carolyn Thorsten	Clerk	Indefinite
Dianna Moritz	Treasurer	Resigned Jun 2, 2008
Richard Zahasky	Attorney	Indefinite

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

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Elkader, Iowa 52043

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lansing, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Lansing's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as described in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distributions by activity of the cash basis net assets and by fund of the cash balances at July 1, 2007.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by activity of the cash basis net assets and by fund of the cash balances at July 1, 2007, as discussed in the preceding

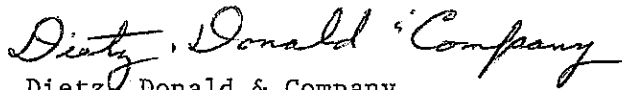
paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lansing as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2008, on our consideration of the City of Lansing's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance with the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 13 and 25 through 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lansing's basic financial statements. Other supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the cash balances at July 1, 2007, as it related to Schedule 1, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

November 20, 2008
Elkader, Iowa


Dietz, Donald & Company
Certified Public Accountants
FEIN 42-1172392

CITY OF LANSING

201 John Street, P. O. Box 470
LANSING IA 52151-0470

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Lansing provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow. Please keep in mind, however, that information presented for the fiscal year ended June 30, 2007 has not been subjected to audit.

2008 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 2.3%, or approximately \$ 21,000 from fiscal 2007 to fiscal 2008. Property tax increased approximately \$ 32,000, and other city taxes decreased by \$ 7,600.

Disbursements of the City's governmental activities decreased 21.1%, or approximately \$ 218,000 in fiscal 2008 from fiscal 2007. Public works and culture and recreation disbursements decreased approximately \$ 174,000 and \$ 79,000 respectively, while public safety disbursements increased approximately \$ 32,000.

The City's total cash basis net assets increased 49.3%, or approximately \$ 208,000 from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities increased approximately \$ 66,000 and the assets of the business type activities increased approximately \$ 142,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off as a result of this year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government and debt service. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use tax and Local Option Sales Tax and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from \$ 267,000 to \$ 333,000. The analysis that follows focuses on the changes in cash basis net assets from governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities
(Expressed in Thousands)

	Year Ended June 30,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service	\$ 199	207
Operating grants, contributions and restricted interest	112	115
General receipts:		
Property tax	525	492
Local option sales tax	73	80
Unrestricted interest on investments	9	12
Other general receipts	13	4
Total receipts	931	910
Disbursements:		
Public safety	180	147
Public works	226	400
Health and social services	1	-
Culture and recreation	151	230
Community and economic development	3	3
General government	100	89
Debt service	156	165
Total disbursements	817	1,034
Change in cash basis net assets before transfers	114	(124)
Transfers, net	(48)	8
Change in cash basis net assets	66	(116)
Cash basis net assets beginning of year	267	383
Cash basis net assets end of year	\$ 333	267

The City's total receipts for governmental activities increased 2.3%, or approximately \$ 21,000. The cost for all programs decreased approximately \$ 217,000, or 21.1%. The significant decrease in disbursements was due to \$ 180,000 being spent on a street construction project (public work) in 2007 and only \$ 33,000 being spent in the culture and recreation function in 2008 as compared to \$ 114,000 in 2007.

City property tax receipts decreased approximately \$ 8,000 in 2008. Property taxes are budgeted to increase less than \$ 16,000 in 2009.

The cost of all governmental activities this year was \$ 817,000 compared to \$ 1.034 million last year. However, as shown in the Statement of Activities and Net Assets on page 15, the amount taxpayers ultimately financed for these activities was only \$ 506,000 because some of the cost was paid by those directly benefited from the programs (\$199,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$ 112,000). Overall the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in 2008 from approximately \$ 322,000 to approximately \$ 311,000. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$ 598,000 in tax (some of which could only be used for certain programs) and other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 161	177
Sewer	238	249
Capital grants	368	
General receipts:		
Unrestricted interest on investments	8	4
Bond and note proceeds	1,403	410
Total receipts	<u>2,178</u>	<u>840</u>
Disbursements:		
Water	142	559
Sewer	1,942	149
Total disbursements	<u>2,084</u>	<u>708</u>
Change in cash basis net assets before transfers	94	132
Transfers, net	48	(8)
Change in cash basis net assets	142	124
Cash basis net assets beginning of year	154	30
Cash basis net assets end of year	<u>\$ 296</u>	<u>154</u>

Total business type activities receipts for the fiscal year were \$ 2.178 million compared to \$ 840,000 last year. This significant increase was due primarily to receipt of \$ 1.403 million in state revolving loan funds. Total disbursements for the year increased by \$ 1.376 million due mainly to work on the wastewater treatment facility.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Lansing completed the year, its governmental funds reported a combined balance of \$ 332,960, an increase of over \$ 66,000 above last year's total of \$ 266,840. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$ 5,059 from the prior year to \$ 192,518.

The Special Revenue, Local Option Sales Tax Fund, increased \$ 70,188 to \$ 114,902. Only \$ 6,727 of sales tax receipts were disbursed in 2008. These funds can be used for repair, replacement or extension of water mains, sewer mains and streets.

The Debt Service Fund cash balance increased \$ 1,509 to \$ 5,319 during the fiscal year. Property tax receipts increased \$ 4,241 in fiscal 2008, while bond principal and interest payments decreased \$ 9,736.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased \$ 104,806 to \$ 154,997 due primarily to no major construction projects occurring in the water utility in fiscal 2008.

The Sewer Fund cash balance increased by \$ 36,848 to \$ 141,014 due primarily to loan and grant proceeds exceeding construction costs by \$ 6,500 and cash profit exceeding debt service requirements by \$ 30,000.

BUDGETARY HIGHLIGHTS

The City's receipts were \$ 27,965 more than budgeted.

Total disbursements were \$ 1,270,856 less than budgeted. The actual disbursements for the business type activities function were \$ 833,072 less than budgeted. This was primarily due to a portion of the wastewater treatment facility being carried into fiscal 2009. The City exceeded the amount budgeted in the health and social service function by \$ 250.

DEBT ADMINISTRATION

At June 30, 2008, the City had \$ 2,408,274 in bonds and notes outstanding, compared to \$ 1,213,615 last year, as shown below

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2008	2007
General obligation notes	\$ 420	555
Revenue bonds	1,988	659
	<u>\$ 2,408</u>	<u>1,214</u>

Debt increased as a result of issuing revenue bonds for the wastewater treatment facility.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can carry to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$ 420,000 is significantly below its constitutional debt limit of \$ 2,520,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Lansing's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and fees charged for various City activities. Population over the last 30 years decreased by 206, nearly 17%. However, taxable valuations increased by nearly \$ 1,700,000, over a 5.5% increase. Because of demand for recreational property, this trend should continue. The wastewater treatment facility will be completed in fiscal 2009.

These indicators were taken into account when adopting the budget for fiscal year 2009. Amounts available for appropriation in the operating budget are \$ 2.119 million, a decrease of 49.3% from the 2008 budget. Property taxes are budgeted to increase \$ 15,958. The tax levy rate actually decreased 2.5%. Loans and grants are budgeted to decrease by over \$ 1,778,000. Disbursements are budgeted to decrease by approximately \$ 2.1 million as the majority of the wastewater treatment facility was completed in 2008.

If these estimates are realized the City's budgeted cash balance is expected to increase approximately \$ 29,000 by the close of 2009.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Carolyn Thorston, City Clerk, 201 John Street, Lansing, Iowa 52151-0470.

BASIC FINANCIAL STATEMENTS

Exhibit A

CITY OF LANSING
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
As of and for the Year Ended June 30, 2008

		Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Public safety	\$ 179,556	1,738	15,263	-	(162,555)	-
Public works	226,133	66,697	86,701	-	(72,735)	-
Health and social services	1,515	-	-	-	(1,515)	-
Culture and recreation	151,069	123,809	3,408	-	(23,852)	-
Community and economic development	3,036	-	-	-	(3,036)	-
General government	99,829	6,898	4,516	-	(88,415)	-
Debt service	155,532	-	1,873	-	(153,659)	-
Total governmental activities	816,670	199,142	111,761	-	(505,767)	-
Business type activities:						
Water	142,166	160,690	-	-	18,524	18,524
Sewer	1,942,312	238,368	-	368,344	-	(1,335,600)
Total business type activities	2,084,478	399,058	-	368,344	(505,767)	(1,317,076)
Total	\$ 2,901,148	598,200	111,761	368,344	(505,767)	(1,822,843)
General Receipts:						
Property and other city tax levied for:						
General purposes					369,360	-
Debt service					155,168	-
Local option sales tax					72,723	-
Unrestricted interest on investments					9,452	7,914
Bond proceeds					-	1,402,660
Miscellaneous					5,936	-
Sale of assets					7,404	-
Total general receipts					620,043	1,410,574
Change in cash basis net assets before transfers					114,276	93,498
Transfers					(48,156)	48,156
Change in cash basis net assets					66,120	141,654
Cash basis net assets beginning of year					266,840	154,357
Cash basis net assets end of year					\$ 332,960	296,011
Cash Basis Net Assets:						
Restricted:						
Streets					\$ 6,555	-
Debt service					5,319	-
Other purposes					128,568	-
Unrestricted					192,518	296,011
					\$ 332,960	296,011
						628,971

See notes to financial statements.

Exhibit B

CITY OF LANSING
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2008

	General	Special Revenue	Debt Service	Nonmajor	Total
		Local Option Sales Tax			
Receipts:					
Property tax	\$ 264,917	-	155,168	104,443	524,528
Other city tax	-	72,723	-	-	72,723
Licenses and permits	2,275	-	-	-	2,275
Use of money and property	99,299	2,464	1,873	143	103,779
Intergovernmental	16,783	-	-	86,701	103,484
Charges for service	87,498	-	-	-	87,498
Special assessments	173	1,728	-	-	1,901
Miscellaneous	18,759	-	-	8,595	27,354
Total receipts	489,704	76,915	157,041	199,882	923,542
Disbursements:					
Operating:					
Public safety	136,045	-	-	43,511	179,556
Public works	96,179	6,727	-	123,227	226,133
Health and social services	1,515	-	-	-	1,515
Culture and recreation	137,548	-	-	13,521	151,069
Community and economic development	3,036	-	-	-	3,036
General government	87,833	-	-	11,996	99,829
Debt service	-	-	155,532	-	155,532
Total disbursements	462,156	6,727	155,532	192,255	816,670
Excess of receipts over disbursements	27,548	70,188	1,509	7,627	106,872
Other financing sources (uses):					
Sale of capital assets	7,404	-	-	-	7,404
Operating transfers in	18,145	-	-	-	18,145
Operating transfers out	(58,156)	-	-	(8,145)	(66,301)
Total other financing sources (uses):	(32,607)	-	-	(8,145)	(40,752)
Net change in cash balances	(5,059)	70,188	1,509	(518)	66,120
Cash balances beginning of year	197,577	44,714	3,810	20,739	266,840
Cash balances end of year	\$ 192,518	114,902	5,319	20,221	332,960
Cash Basis Fund Balances					
Reserved for debt service	-	-	5,319	-	5,319
Unreserved:					
General fund	192,518	-	-	-	192,518
Special revenue funds	-	114,902	-	15,426	130,328
Capital projects fund	-	-	-	4,795	4,795
Total cash basis fund balances	\$ 192,518	114,902	5,319	20,221	332,960

See notes to financial statements.

CITY OF LANSING
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
As of and for the Year Ended June 30, 2008

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 160,690	238,368	399,058
Operating disbursements:			
Business type activities	95,573	136,570	232,143
Excess (deficiency) of operating receipts over (under) operating disbursements	65,117	101,798	166,915
Non-operating receipts (disbursements):			
Intergovernmental	-	368,344	368,344
Interest on investments	3,399	4,515	7,914
Revenue bond proceeds	29,784	1,372,876	1,402,660
Debt service	(36,714)	(71,009)	(107,723)
Capital projects	(9,879)	(1,734,733)	(1,744,612)
Net non-operating receipts (disbursements)	(13,410)	(60,007)	(73,417)
Excess of receipts over disbursements	51,707	41,791	93,498
Other financing sources (uses):			
Operating transfers in	58,099	57	58,156
Operating transfers out	(5,000)	(5,000)	(10,000)
Total other financing sources (uses)	53,099	(4,943)	48,156
Net change in cash balances	104,806	36,848	141,654
Cash balances beginning of year	50,191	104,166	154,357
Cash balances end of year	\$ 154,997	141,014	296,011
Cash Basis Fund Balances			
Unreserved	\$ 154,997	141,014	296,011

See notes to financial statements.

CITY OF LANSING

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(1) Summary of Significant Accounting Policies

The City of Lansing is a political subdivision of the State of Iowa located in Allamakee County. It was first incorporated in 1867 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Lansing has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Allamakee County Assessor's Conference Board, Allamakee County Emergency Management Commission, Allamakee County Joint E911 Service Board and Allamakee County Economic Development and Tourism Commission.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Local Option Sales Tax Fund is used to account for the sales tax receipts of the City.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Lansing maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the health and social services function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of

deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 140,000	15,015	76,000	88,710	216,000	103,725
2010	70,000	9,765	78,000	86,430	148,000	96,195
2011	70,000	7,525	80,000	84,090	150,000	91,615
2012	70,000	5,145	83,000	81,690	153,000	86,835
2013	70,000	2,625	85,000	79,200	155,000	81,825
2014-2018	-	-	468,000	355,980	468,000	355,980
2019-2023	-	-	541,000	281,550	541,000	281,550
2024-2028	-	-	552,000	196,500	552,000	196,500
2029-2033	-	-	520,000	118,800	520,000	118,800
2034-2037	-	-	474,000	36,090	474,000	36,090
Total	\$ 420,000	40,075	2,957,000	1,409,040	3,377,000	1,449,115

The revenue notes were issued from the State Revolving Fund of Iowa Finance Authority. At June 30, 2008, the City had \$ 968,726 remaining on their \$ 3,050,000 line of credit with Iowa Finance Authority.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are determined by state statute. The City's contribution to IPERS for the year ended June 30, 2008, was \$ 18,741 equal to the required contribution for the year.

(5) Compensated Absences

City employees accumulate a limited amount of earned by unused vacation, sick leave and personal hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized by the City until used or paid. The City's approximate liability for earned vacation, sick leave and personal payments payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 11,000
Sick leave	60,000
Personal	1,000
Comp time	<u>3,000</u>
Total	<u>\$ 75,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2008.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008, is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Emergency	\$ 8,145
	Enterprise:	
	Water	5,000
	Sewer	<u>5,000</u>
		<u>18,145</u>
Enterprise:		
Water	General	<u>58,099</u>
Sewer	General	<u>57</u>
Total		<u>\$ 76,301</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(7) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the fiscal year ended June 30, 2008.

(8) Commitments

Construction Contract - The City has entered into a construction contract with an outstanding balance of \$ 781,999 at June 30, 2008. This contract will be financed with the remaining \$ 922,724 line of credit from the State Revolving Fund.

(9) Subsequent Events

In September, 2008, the City entered into a construction contract totaling \$ 168,925 for a marina improvement project. In August, 2008 the City passed a loan agreement for \$ 250,000 to finance the project.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LANSING
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts	Budgeted Amounts to Total Variance
Receipts:					
Property tax	\$ 524,528	-	524,528	509,311	15,217
Other city tax	72,723	-	72,723	88,612	(15,889)
Licenses and permits	2,275	-	2,275	6,300	(4,025)
Use of money and property	103,779	7,914	111,693	85,350	26,343
Intergovernmental	103,484	368,344	471,828	101,100	370,728
Charges for service	87,498	399,058	486,556	558,720	(72,164)
Special assessments	1,901	-	1,901	3,500	(1,599)
Miscellaneous	27,354	-	27,354	318,000	(290,646)
Total receipts	923,542	775,316	1,698,858	1,670,893	27,965
Disbursements:					
Public safety	179,556	-	179,556	472,200	292,644
Public works	226,133	-	226,133	313,220	87,087
Health and social services	1,515	-	1,515	1,265	(250)
Culture and recreation	151,069	-	151,069	193,950	42,881
Community and economic development	3,036	-	3,036	3,036	-
General government	99,829	-	99,829	115,250	15,421
Debt service	155,532	-	155,532	155,533	1
Business type activities	-	2,084,478	2,084,478	2,917,550	833,072
Total disbursements	816,670	2,084,478	2,901,148	4,172,004	1,270,856
Excess (deficiency) of receipts over (under) disbursements	106,872	(1,309,162)	(1,202,290)	(2,501,111)	1,298,821
Other financing sources, net	(40,752)	1,450,816	1,410,064	2,500,000	(1,089,936)
Excess of receipts and other financing sources over disbursements and other financing uses	66,120	141,654	207,774	(1,111)	208,885
Balances beginning of year	266,840	154,357	421,197	220,851	200,346
Balances end of year	\$ 332,960	\$ 296,011	\$ 628,971	\$ 219,740	\$ 409,231

See accompanying independent auditor's report.

CITY OF LANSING

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the health and social services function.

OTHER SUPPLEMENTARY INFORMATION

Schedule 1

CITY OF LANSING
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2008

	Special Revenue				
	Road Use Tax	Emergency	Employee Benefits	Capital Project	Total
Receipts:					
Property tax	\$ -	8,145	96,298	-	104,443
Use of money and property	-	-	-	143	143
Intergovernmental	86,701	-	-	-	86,701
Miscellaneous	-	-	8,595	-	8,595
Total receipts	86,701	8,145	104,893	143	199,882
Disbursements:					
Operating:					
Public safety	-	-	43,511	-	43,511
Public works	89,023	-	34,204	-	123,227
Culture and recreation	-	-	13,521	-	13,521
General government	-	-	11,996	-	11,996
Total disbursements	89,023	-	103,232	-	192,255
Excess (deficiency) of receipts over (under) disbursements	(2,322)	8,145	1,661	143	7,627
Other financing uses:					
Operating transfers out	-	(8,145)	-	-	(8,145)
Net change in cash balances	(2,322)	-	1,661	143	(518)
Cash balances beginning of year	8,877	-	7,210	4,652	20,739
Cash balances end of year	\$ 6,555	-	8,871	4,795	20,221
Cash Basis Fund Balances					
Unreserved:					
Special revenue funds	\$ 6,555	-	8,871	-	15,006
Capital projects fund	-	-	-	4,795	4,795
Total cash basis fund balances	\$ 6,555	-	8,871	4,795	20,221

See accompanying independent auditor's report.

CITY OF LANSING
SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2008

Schedule 2

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General obligation notes:								
Corporate purpose Series 1998	Sep 1, 1998	4.45%-4.50%	\$ 925,000	135,000	-	65,000	70,000	6,043
Corporate purpose Series 2002	Nov 1, 2002	2.75%-3.75%	615,000	420,000	-	70,000	350,000	13,790
Total				\$ 555,000	-	135,000	420,000	19,833
Revenue bonds:								
Sewer	Sep 6, 2007	3.00%	\$ 2,500,000	\$ 204,400	1,372,876	52,000	1,525,276	12,759
Water	Dec 6, 2005	3.00	550,000	454,215	29,783	21,000	462,998	14,339
Total				\$ 658,615	1,402,659	73,000	1,988,274	27,098

See accompanying independent auditor's report.

CITY OF LANSING
BOND AND NOTE MATURITIES
June 30, 2008

Schedule 3

General Obligation Notes

Year Ending June 30,	Corporate Purpose Sep 1, 1998		Corporate Purpose Nov 1, 2002		Total
	Interest Rates	Amount	Interest Rates	Amount	
2009	4.50%	\$ 70,000	3.00%	\$ 70,000	140,000
2010	-	-	3.20	70,000	70,000
2011	-	-	3.40	70,000	70,000
2012	-	-	3.60	70,000	70,000
2013	-	-	3.75	70,000	70,000
Total		\$ 70,000		\$ 350,000	420,000

Revenue Bonds

Year Ending June 30,	Water Issued Dec 6, 2005		Sewer Issued Sep 6, 2007		Total
	Interest Rates	Amount	Interest Rates	Amount	
2009	3.00%	\$ 22,000	3.00%	\$ 54,000	76,000
2010	3.00	22,000	3.00	56,000	78,000
2011	3.00	23,000	3.00	57,000	80,000
2012	3.00	24,000	3.00	59,000	83,000
2013	3.00	24,000	3.00	60,000	84,000
2014	3.00	25,000	3.00	62,000	87,000
2015	3.00	25,000	3.00	63,000	88,000
2016	3.00	27,000	3.00	67,000	94,000
2017	3.00	28,000	3.00	68,000	96,000
2018	3.00	28,000	3.00	71,000	99,000
2019	3.00	29,000	3.00	73,000	102,000
2020	3.00	30,000	3.00	75,000	105,000
2021	3.00	31,000	3.00	77,000	108,000
2022	3.00	31,000	3.00	79,000	111,000
2023	3.00	32,000	3.00	82,000	114,000
2024	3.00	32,000	3.00	84,000	116,000
2025	3.00	32,000	3.00	87,000	119,000
2026	3.00	36,000	3.00	89,000	125,000
2027	-	-	3.00	92,000	92,000
2028	-	-	3.00	95,000	95,000
2029	-	-	3.00	98,000	98,000
2030	-	-	3.00	101,000	101,000
2031	-	-	3.00	104,000	104,000
2032	-	-	3.00	107,000	107,000
2033	-	-	3.00	110,000	110,000
2034	-	-	3.00	113,000	113,000
2035	-	-	3.00	117,000	117,000
2036	-	-	3.00	120,000	120,000
2037	-	-	3.00	124,000	124,000
Total		509,000		2,448,000	2,957,000
Less: Allocated funds not drawn down at June 30, 2008		(46,002)		(922,726)	(968,726)
Total		\$ 462,998		\$ 1,525,276	\$ 1,988,274

See accompanying independent auditor's report.

CITY OF LANSING
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2008

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	06-WS-056	\$ 359,152
U.S. Environmental Protection Agency:			
Iowa Finance Authority:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS 192305-1	308,018
Total			<u>\$ 667,170</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Lansing and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

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Elkader, Iowa 52043

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Lansing, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 20, 2008. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by activity of the cash basis net assets and by fund of the cash balances at July 1, 2007. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Lansing's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lansing's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lansing's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent and detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City of Lansing's

ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Lansing's financial statements that is more than inconsequential will not be prevented or detected by the City of Lansing's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Lansing's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe the significant deficiency described above, item II-A-08, is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lansing's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those matters.

The City of Lansing's responses to findings in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not

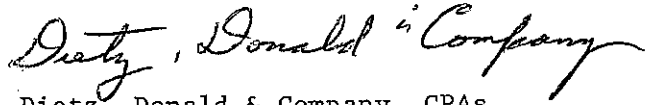
audit the City of Lansing's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Lansing and other parties to whom the City of Lansing may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Lansing during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

November 20, 2008

A handwritten signature in cursive script that reads "Dietz, Donald & Company".

Dietz, Donald & Company, CPAs
FEIN 42-1172392

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Lansing, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2008. The City of Lansing's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the City of Lansing's management. Our responsibility is to express an opinion on the City of Lansing's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Lansing's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Lansing's compliance with those requirements.

In our opinion, the City of Lansing complied, in all material respects with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Lansing is responsible for establishing and maintaining effective internal control over compliance with

requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Lansing's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Lansing's internal control over compliance.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

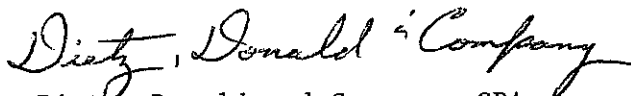
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Lansing and other parties to whom the City of Lansing may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Elkader, Iowa

November 20, 2008


Dietz, Donald and Company, CPAs
FEIN 42-1172392

CITY OF LANSING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Part I: Summary of the Independent Auditor's Results:

- (a) Qualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles; because we were unable to satisfy ourselves as to the distribution by activity of the cash basis net assets and by fund of the cash balances at July 1, 2007.
- (b) A significant deficiency in internal control was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Number 66.458 - Capitalization Grants for Clean Water State Revolving Funds and CFDA Number 14.228-Community Development Block Grants/State's Programs.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$ 300,000.
- (i) The City of Lansing did not qualify as a low-risk auditee.

CITY OF LANSING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-08 - Financial Reporting - As is common in small organizations, the City does not prepare its financial statements, complete with notes, in accordance with U.S. generally accepted accounting principles. Accordingly, the City is unable to, and has not established internal controls over the preparation of financial statements.

Recommendation - As part of the audit, we have been requested to prepare a draft of the City's financial statements, including related notes. The City then performs a review of the financial statements. However, in order to provide improved oversight of the financial preparation services and implement controls over the financial reporting process, the City should establish review policies and procedures including the performance of some or all of the following:

- (1) Review the adequacy of financial statement disclosures.
- (2) Review and approve schedules and calculations supporting amounts included in the notes to the financial statements.
- (3) Apply analytical procedures to the draft financial statements.
- (4) Apply other procedures as considered necessary by the City.

Response - We will consider this.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

CITY OF LANSING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

SIGNIFICANT DEFICIENCIES:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08- Certified Budget - Disbursements during the year ended June 30, 2008, exceeded the amounts budgeted in the health and social services function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will amend the budget, as necessary in the future.

Conclusion - Response accepted.

IV-B-08- Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-08- Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-08- Business Transactions - No business transactions between City and City officials or employees were noted.

IV-E-08- Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-08- Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

CITY OF LANSING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Recommendation - The City should publish minutes as required.

Response - We will publish minutes as required.

Conclusion - Response accepted.

- IV-G-08- Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- IV-H-08- Revenue Bonds - The City has complied with the provisions of the revenue and bond resolutions.